

SBA FINANCIAL ASSISTANCE PROGRAMS

The U.S. Small Business Administration (SBA) has five primary financial assistance programs: the 7(a) Loan Guaranty Program, the 504 Certified Development Company Program, the 7(m) Micro-loan Program, Surety Bond Guarantee Program, Small Business Investment Companies, and the Small Business Innovation Research/Technology Transfer Programs.

SBA 7(a) Loan Guaranty Program

The SBA 7(a) Loan Guaranty program guarantees loans made by commercial lenders to small businesses. Loans can be used for business or property acquisition, expansion, equipment purchase, working capital and debt consolidation. The SBA will guarantee up to 80 percent of loans of \$1,000,000 or less and 75 percent on loans of more than \$100,000. The maximum loan amount guaranteed is \$750,000.

Guaranty fees are based on maturity and the SBA's share: on loans of more than one year where the SBA exposure is \$80,000 or less, the fee is 0.25 percent; on loans of more than one year where the SBA exposure \$80,000 or less, fees are calculated on an incremental scale.

Repayment periods vary according to the business' ability to repay, and the specific loan product selected below. Generally, loans for working capital will have a repayment period of up to 10 years, while loans for machinery/equipment, real estate, and construction will have a repayment period of up to 25 years.

The 7(a) program includes a number of products:

- C **LowDoc** - or Low Documentation Loan Program;
- C **FA\$TRAK** - where loan documentation and approval authority are delegated to lenders;
- C **Prequalification Loan Programs** - a pilot program which utilize intermediaries to assist women and minority-owned businesses and entrepreneurs to develop their loan application package for submission to the SBA and a lender. On approval by the SBA, the agency issues a letter of prequalification to the applicant stating its intent to guarantee a loan extended by a lender to the applicant;
- C **CAPLines** - an umbrella lending program that helps small businesses meet cyclical working capital needs;
- C The **International Trade Loan Program (ITL)** and the **Export Working Capital Program (EWCP)**, provide short and medium-term financing to small businesses involved in exporting; and
- C **DELTA** - the Defense Loan and Technical Assistance Program provides financial and technical assistance to help defense-dependent firms diversify.

Contact: For further information, please contact *U.S. Small Business Administration, Washington District Office at (202) 606-4000. Internet home page: <http://www.sbaonline.sba.gov>. See the appendix for the SBA's address.*

SBA 504 Certified Development Company Program

The Virginia Asset Financing Corporation has been designated by the SBA to provide long-term, fixed rate financing to Virginia's small and medium sized businesses through the 504 Loan Program. Businesses receive favorable terms through the 504 Loan Program for financing the acquisition and/or renovation of an existing building, acquisition of land and construction of a new building, or the purchase of long-term machinery and equipment. The assets acquired must be for use by the business.

Typically the new businesses will be required to provide a 10% down payment, another lending institution will provide 50% of the project financing (1st lien), and the borrower will provide the remaining 40% (2nd lien). The 504 portion provides a competitive rate coupled with a full 20-year maturity. In exchange for the competitive package, the business is expected to create jobs, meet a public policy goal of the SBA, or demonstrate a significant impact on the local economy. The average project size is \$1,000,000. Although projects range in size from \$200,000 to \$5,000,000. Start-up businesses are eligible, although the typical borrower is an existing business. The 504 Program is administered in Northern Virginia, including the City of Alexandria, by the Virginia Asset Financing Corporation.

Contact: For more information about the 504 Loan Program, please contact the *Virginia Asset Financing Corporation* at (703) 352-0504, or on-line at www.vacf.org. See the appendix for the addresses of Virginia Asset Financing Corporation.

SBA 7(m) Micro Loan Program

The Micro Loan Program provides short-term loans ranging from \$500 to \$25,000 for small-scale financing purposes such as inventory, supplies, machinery/equipment, furniture and working capital. Loans are made to for profit new and existing businesses, through SBA-approved locally based nonprofit organizations. Generally, these funds may not be used to pay existing debts, purchase real estate, or provide a down payment on a project in excess of \$25,000 in value.

The City of Alexandria has established a Micro Loan Program, known as the **Alexandria Micro Loan Program**, administered by **ECDC Enterprise Development Group**, the only designated SBA micro loan intermediary lender in Northern Virginia. ECDC provides micro loans as well as management assistance, and training to small-scale enterprises.

Contact: For further information about the Alexandria Micro Loan Program, refer to City of Alexandria Financial Assistance Programs in the Table of Contents of this Resource Directory, and contact the *ECDC Enterprise Development Group (ECDC)* at (703) 685-0510. See the appendix for ECDC's address.

Surety Bond Guarantee Program

The Surety Bond Guarantee (SBG) Program was developed to provide small and minority contractors with contracting opportunities for which they would not otherwise bid. The Office of Surety Guarantees administers the SBG program through a private-public partnership between the federal government and the surety industry. SBA guarantees bid, performance, payment and ancillary bonds issued by surety companies for construction, service and supply contracts and reimburses the sureties a percentage of the losses sustained if the contractor defaults. SBA's guarantee provides the incentive

necessary for sureties to issue bonds to contractors who could not otherwise compete in the contracting industry.

Contact: For further information, please visit the SBA website at *www.sba.gov.contact*. See the appendix for the SBA's address.

Small Business Investment Companies (SBIC) and Specialized Small Business Investment Companies (SSBIC)

The Small Business Investment Company Program fills the gap between the availability of venture capital and the needs of small businesses that are either starting or growing. Licensed and regulated by the SBA, SBIC's are privately owned and managed investment firms that make capital available to small businesses through investments or loans. They use their own funds plus funds obtained at favorable rates with SBA guaranties and/or by selling their preferred stock to the SBA. SBIC's are for-profit firms whose incentive is to share in the success of a small business.

Contact: SBICs, *National Association of Small Business Investment Companies* (202) 628-5055; SBA Washington District Office (202) 606-4000; SSBICs, *National Association of Investment Companies*, (202) 289-4336. See the appendix for these addresses.

Small Business Innovation Research (SBIR)

The mission of the Office of Technology is to strengthen and expand the competitiveness of U.S. small high-technology research and development businesses in the federal marketplace. The SBIR also provides assistance in achieving commercialization of the results of both the federal research and development programs mandated by the Small Business Innovation Development Act of 1982 and the Small Business Research and Development Enhancement Act of 1992.

Contact: For more information, please contact *U.S. Small Business Administration, (SBA) Office of Technology* at (202) 205-6450. See the appendix for the address of the SBA's Office of Technology.

Small Business Technology Transfer (STTR)

The STTR Program is a pilot program for grant funding of small business cooperative research and development projects conducted with a research institution. This program is designed to inspire small companies, research institutions and universities to work together to move ideas from the laboratory to the marketplace, to foster high-tech economic development, and to address US technological needs.

Contact: *SBA Office of Technology*, (202) 205-6450, listed above, for more information. See the appendix for the address of SBA's Office of Technology.